

**MINUTES
OF THE REGULAR MEETING OF THE
EDINA HOUSING AND REDEVELOPMENT
AUTHORITY HELD AT CITY HALL
MARCH 15, 1999 - 7:00 P.M.**

ROLLCALL Answering rollcall were Commissioners Faust, Hovland, Maetzold, and Chair Smith.

CONSENT AGENDA ITEMS APPROVED Motion made by Commissioner Maetzold and seconded by Commissioner Faust to approve and adopt the HRA Consent Agenda items as presented.

Rollcall:

Ayes: Faust, Hovland, Maetzold, Smith

Motion carried.

***MINUTES OF THE HRA MEETING OF MARCH 1, 1999, APPROVED** Motion made by Commissioner Maetzold and seconded by Commissioner Faust approving the Minutes of the Regular HRA Meeting of March 1, 1999.

Motion carried on rollcall vote - four ayes.

LETTER OF INTENT AUTHORIZED FOR KUNZ LEWIS REDEVELOPMENT Executive Director Hughes noted that originally it was intended to have the West Metropolitan Education Program (WMEP) presentation March 15, 1999, but WMEP asked to delay their presentation until April 5, 1999. The reason for the delay is because WMEP intends to hold a community meeting on March 24, 1999, regarding the magnet school component of the development. Executive Director Hughes stated that WMEP had mailed a notice to the neighborhood residents and the Edina Sun Current would also print an article announcing the time and place of the March 24, 1999, meeting scheduled to be held in Room 350 of the Edina Community Center. He added that Frank Bennett was in attendance both as a member of the Edina School Board and as Vice Chair of WMEP to provide an update to the HRA regarding the funding prospects with the legislature.

Executive Director Hughes also noted that the HRA had been provided with a memo from Rusty Fifield of Ehlers & Associates summarizing Ehlers' preliminary evaluation of the tax increment financing issues associated with the proposed development.

Frank Bennett explained that Senator Terwilliger has confirmed that he would be sponsoring a bill which will include \$14,000,000 to construct a WMEP school, if approved, in Edina. Mr. Bennett stated that Larry Pogemiller is cosponsoring the bill. Mr. Bennett reported that Senator Terwilliger was confident there was bi-partisan support for the funding bill which will be part of a bonding bill, although due to the usual politics it could end up in an omnibus budget bill. He promised to update the HRA as more becomes known about the bill's status.

Mr. Bennett reiterated that the neighborhood meeting was scheduled for March 24, 1999 at 7:00 p.m. in Room 350 of the Edina Community Center. Chair Smith asked how the district intends to publicize the meeting. Mr. Bennett replied that the Beard Group, acting as the developer for the proposal, has sent out notices and there will be announcements in the Edina Sun Current.

Chair Smith asked Mr. Bennett to keep Executive Director Hughes updated on the bill's status. Commissioner Faust stated she thought that Senator Terwilliger's bill was going to be attached to the "Waste Water Treatment Emergency Bonding Bill" and asked if this was correct. Mr. Bennett replied that he would find out and let the City know how the bill was being presented.

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Commissioner Hovland referred to page 2 of Ehlers' memo, and asked what makes up the \$6,330,000 HRA bond issue. Executive Director Hughes answered that the components would be: land cost in excess of that paid by WMEP, the Senior Center's construction cost, the Public Library's construction cost, any non-recoverable costs associated with the purchase and resale of the existing school bus garage, and any other soft costs incidental to the transaction. He pointed out that the \$6,330,000 does not include the cost of additional gymnasiums (over the two included as part of the WMEP School).

Commissioner Hovland asked how the purchase of the library would work. Executive Director Hughes replied that when considering the construction of the new library, and the purchase and renovation of the existing library, it will be important to distinguish the Edina HRA from the City of Edina. He stated that Hennepin County, in consideration for the HRA constructing a new library, would deed the existing library to the HRA. Under the provisions of the tax increment financing (TIF) law, however, it would then be necessary for the City of Edina to acquire the existing library from the HRA for use for other City purposes. The tax increment law does not allow the use of TIF funds for buildings used for the regular conduct of government, necessitating the additional transaction between the City and HRA. Additionally, City funds used to purchase the existing library cannot come from TIF funds.

Commissioner Hovland noted that on page 3, paragraph 2 Ehlers notes "The HRA has the financial resources to undertake this project if adjacent properties are developed with taxable uses..." He asked that the "adjacent properties" be defined. Executive Director Hughes replied that he believed the proposal WMEP intends to bring forward on April 5, 1999, is a proposal to develop Kunz Oil/Lewis Engineering property with a public mixed use concept. At the same time the HRA will see a proposal from Jerry's Enterprises to develop the existing school bus property and other properties owned by Jerry's with a taxable use. It was Jerry's taxable portion of the proposed development that Ehlers used to develop their preliminary analysis. However, the taxable development need not occur on those specific properties; it could take place anywhere within the tax increment district. He added that without the taxable development occurring within the TIF district; there are not sufficient increments to finance the project.

Chair Smith pointed out that he, Commissioner Faust, and Executive Director Hughes attended a meeting with the WMEP staff and the Edina School Superintendent. He asked Executive Director Hughes to summarize the proposal. Executive Director Hughes responded that the proposal they saw included not only the Lewis Engineering/Kunz Oil Property, but also the building referred to as the Tag property, and the Noonan Construction Property. The developers have concluded those parcels are needed to provide enough area for the development. The proposal included the elementary school proposed by WMEP, an approximately 20,000 square foot public library, a 15,000 square foot senior center, an approximately 300 seat performing arts lab, two gymnasiums, and a bus garage (relocated from its current location). The developers presented a model depicting the previously described uses.

Chair Smith pointed out the proposed development also includes a redevelopment of the existing bus garage site, north of Eden Avenue. Executive Director Hughes agreed that the redevelopment was discussed in general terms, but no specific proposals were presented.

Commissioner Faust stated that the people behind the WMEP plan believe the WMEP proposal will be good for the Metro community; however, she does not believe that the Edina HRA/City Council can properly judge the proposal until they know all the details of the financial implications. They also must compare the financial implications to the City with the benefits to come from WMEP. The proposal does not come with many details; and Commissioner Faust believes to properly assess WMEP's proposal; the financial ramifications of allowing WMEP to develop the property as opposed to another commercial venture must be made known. Commissioner Faust elaborated that when she spoke of another commercial entity she meant one that would include the public library and

senior center. She added that she felt regarding the Ehlers' memo, there had been a disconnection between what Commissioner Faust has been saying and what Ehlers reported. Ehlers, in her opinion, has not given any details; just an overview of what could be done if the City were to give WMEP everything it asked for and support WMEP financially with unlimited funds. Commissioner Faust said that in order for the HRA to evaluate the WMEP proposal financially, certain facts must be forthcoming, such as: what TIF funds would be gained if a commercial developer were chosen instead of the school; what taxes would be gained for ten years after 2010 if a commercial development were selected; with all the financial details spelled out, who would be paying for the demolition of the current buildings; who would pay for the environmental studies; and who would pay for the bus garage site clean-up and other demolition sites clean up. Commissioner Faust said that the Ehlers' memo suggested reselling properties the HRA purchases at a lower price than the HRA paid. In the combined WMEP/Jerry's proposal, it was suggested that the HRA purchase the school bus garage for \$1,020,000 and then sell it for \$550,000. Commissioner Faust expressed her concern and frustration with this suggestion. Commissioner Faust asked who would pay and how much would be paid for the other properties needed to make the WMEP proposal happen. She also asked what would happen if current tax increment financing laws were changed. Commissioner Faust asked what impact using the TIF funds on the WMEP project would have on the development and repair of the other commercial areas in the Grandview area. She expressed concern that Grandview would have difficulty repairing their parking areas or maintaining what is in place. Commissioner Faust asked if the TIF funds proposed to be used for the WMEP project are joint funds from the 50th & France and Grandview areas or from Grandview alone. Commissioner Faust stated her belief that the WMEP proposal will be a significant expense to the City versus what the City could get with commercial real estate. She said if the City plans to move forward with a proposal costing so much, perhaps there should be a referendum.

Commissioner Hovland stated that Commissioner Faust's issues were well raised, however; he assumed that the details she asked for would be provided as the proposal moves along. He submitted that he believed the HRA could make a well-reasoned, informed decision later after receiving the "devil and the detail" about the WMEP proposal.

Chair Smith observed that the Edina HRA has been through this type of development twice before with 50th & France, and also the Edinborough and Centennial Lakes developments. He noted that Executive Director Hughes had been with the City through all of these developments and asked the Executive Director to explain the process the HRA should follow.

Executive Director Hughes responded that he believed many of Commissioner Faust's questions could be answered at this time, but some further development details would be needed to answer others. He stated that looking back at the Edinborough and Centennial Lake projects, what was initially needed was some type of letter of intent that gave the HRA and the particular developers the ability to proceed in evaluating the proposed development, coming up with the redevelopment contract, and details of the proposal. Executive Director Hughes stated that he believes this is the next step the HRA should take if they decide that developing a Letter of Intent is the direction the City should take for the site. This would authorize staff to narrow down development agreements with the parties involved in the proposal, which includes WMEP, Edina Schools, Edina HRA, City of Edina, and Jerry's.

Chair Smith asked if Executive Director Hughes meant that the letter of intent would show the plan's details that Commissioner Faust requested, and that Commissioner Hovland wanted to evaluate before giving a final authorization for the project. Executive Director Hughes replied that the letter of intent would provide further details. Also there would still be a redevelopment agreement, a conditional use permit and a rezoning all requiring consideration and approval.

Chair Smith asked if any of Commissioner Faust's questions could be answered. Executive Director replied that staff had attempted reviewing the implications if all the subject properties were tax exempt as opposed to taxable. The analysis is very difficult because of fiscal disparities and

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commercial/industrial properties' tax base sharing. However, if it is assumed that the property is all exempt as compared with developments generating up to \$1,000,000 annually in taxes, this preliminary analysis would equate to approximately $\frac{1}{4}$ of one per cent on the tax bill for an average Edina home. Executive Director Hughes stated some earlier proposals had suggested they could generate 1.7 million in taxes; however, that would be more than the 50th & France area. Thus, staff believes one million is a more accurate number. Chair Smith asked Executive Director Hughes to convert his estimate into dollars for a \$200,000 house. Executive Director Hughes replied it would be approximately \$10.00 per year.

Commissioner Faust interjected that since this was a tax increment district; all taxes would be captured until 2010. Chair Smith replied that the dollars must be made up to the School District, the City and the County, and that is where taxes are impacted. Commissioner Faust stated that the impact would be spread throughout the entire Hennepin County. She asked if the City received one million in taxes off the land, then wouldn't the TIF district recapture those dollars until 2010. Executive Director Hughes agreed that the TIF district would capture the entire amount; however, under TIF law, the dollars may only be spent on projects eligible for the use of tax increment funds within the Grandview TIF District. If the dollars are not spent for eligible uses, then the dollars are redistributed to the taxing jurisdictions in the same percentages as they were originally collected.

Commissioner Faust observed that the HRA could capture ten million dollars until 2010, and then since the TIF districts are shared, then 50th & France could use the money. Executive Director Hughes clarified that since the Grandview TIF District stands alone; the increment could only be used to finance eligible public improvements within the Grandview TIF District. He continued stating his concern that most improvements have already been done, and apart from the Kunz Oil/Lewis Engineering site all the property is currently developed.

Commissioner Faust stated she believed that Eden Avenue could be widened and the bridge redone using the TIF funds, making the area better able to handle commercial development. Executive Director Hughes agreed; however, he believed that the road project would not utilize the entire increment. Commissioner Faust stated that her belief that projects could be found to use the increment--for example, the parking ramp needs to be refinished.

Chair Smith asked the Executive Director to explain how the Grandview area amenities are maintained. Executive Director Hughes explained that the amenities are maintained using an agreement which assesses the maintenance cost to the benefited property owners. Further, he added that maintenance activities are not eligible as TIF improvements. Attorney Gilligan added that normal annual upkeep expenses are not TIF eligible. TIF improvements must be capital improvements, not painting or maintenance. Chair Smith said the improvements such as the stone columns, road improvement, parking ramps, and landscaping improvements were all capital expenditures and therefore TIF eligible. However, the maintenance of the landscaping, parking lot maintenance, etc. must be financed through assessments.

Commissioner Faust asked if a developer wanted to come in and develop the site, could TIF funds be used to widen the road or improve the bridge. Executive Director Hughes explained that public improvements could be financed from TIF dollars and that the cost of the land could be written down through the use of TIF dollars, but TIF dollars may not be used to build a private building. He continued by stating that the Grandview area improvements were what the business community wanted, but there is not another project at this time that he could recommend.

Commissioner Faust requested the staff have Ehlers calculate what TIF funds could be captured based upon the four finalists who submitted proposals to the City, as opposed to nothing if the WMEP school were developed.

Commissioner Maetzold stated that he had two comments. First--regarding the bus garage--it has been the desire of the City for several years to do something with the site. The problem exists because the School District needs buses. Commissioner Maetzold added he was serving on the School Board ten years ago when the City was attempting to resolve the bus issue. The buses must go someplace; and in his opinion, there is no land in Edina except the site south of Eden Avenue that can house the buses. If the City does not find a location to house the buses, the School District would have no desire to give up the current bus garage. He added that he was certain the District was not going to get rid of the buses and contract with private vendors for bus services.

Secondly, Commissioner Maetzold spoke regarding an alternative revenue source in developing a portion of the site south of Eden Avenue exclusive of the Senior Center and library. Commissioner Maetzold believes there is one decision relative to two points: 1) either develop the site for public or commercial purpose focusing on revenue; or 2) move ahead to a development agreement with WMEP and the other parties involved, with alternative revenue sources being a footnote in that discussion. Commissioner Maetzold stated his belief that a development agreement answering the questions Commissioner Faust raised should be prepared, then a determination should be made if the project is viable. An opportunity exists that should be investigated to determine the best use of the site.

Chair Smith stated that if the HRA was sending staff off gathering data in response to questions, then it should make sure the product returned was based on reality and not some developer's ideal or wish. When the City entertained requests for proposals for the Kunz Oil/Lewis Engineering site, they did not stipulate leaving land for Hennepin County Library or a senior center when proposing a development. Chair Smith stated that he understood from meetings thus far that the WMEP proposal had a footprint of approximately 35,000 square feet, had a two-story building of 70,000 square feet and with the gyms came close to 90,000 square feet. So far he had not seen anything that would deter him from voting yes to a proposal that would include all the aforementioned items. He added, that including all the components would most likely necessitate additional land be included in the development. In Chair Smith's opinion, the HRA must let the staff know if they should pursue the direction of the public proposal or focus on a private development. Chair Smith suggested that staff be directed to move forward in development of a Letter of Intent to be signed by all the parties, noting there are many steps that need to be addressed where the HRA/Council still has oversight and could look at all the details before deciding yes or no.

Commissioner Faust stated that she believes all HRA members have a fiduciary responsibility to Edina's citizens and in her opinion, moving ahead and signing any letter of intent is premature. She stated that Commissioners Hovland and Maetzold had not yet seen any plans. Many questions must be answered and more details must be known before a Letter of Intent can be designed.

Chair Smith reiterated that the purpose of a Letter of Intent is to answer questions and get the details needed to make the necessary decisions. A Letter of Intent tells the developer that some cohesiveness exists, so they can spend money formulating a detailed proposal. A Letter of Intent is non binding; it just says that these parties want to do something if feasible. In order to get definitive plans, a Letter of Intent is needed.

Commissioner Faust stated that she believes it would be irresponsible to move forward without more detail.

Commissioner Maetzold stated he was prepared to go ahead and move that the HRA create a Letter of Intent. He said that no one is going to argue about fiduciary responsibility to the community; however, the HRA also has a responsibility to ensure that the needs of the community are met. A Letter of Intent is not binding, but is the first step in a journey to meet the needs of the Edina community in respect to the subject property. In addition to the parties previously mentioned, the State Senate is involved. Senators Terwilliger and Pogemiller are sponsoring a funding bill, so there

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is another party involved in the project. A Letter of Intent is the way to become focused on costs and environmental issues that need to be reviewed and addressed in making a final decision.

Commissioner Hovland stated his belief that all HRA members want to make well-reasoned decisions. He observed that a Letter of Intent is a preliminary conceptual preference without prejudging the outcome of anything. He noted that the HRA has been wrestling with the subject property's development for approximately two years. They have asked staff to provide quantities of information, and it gets to be awfully amorphous looking at private development versus public development. However, over time, he believes that certain things have become evident that the HRA wants in response to community needs. These wants include: a senior center, a new library (giving the City the opportunity to put in a new Police station and modestly improve City Hall using dollars already set aside for this purpose), and a magnet school (giving the ability to add needed gymnasiums and a performance theater). As a new Council Member, Commissioner Hovland had some of the same concerns that Commissioner Faust has expressed; however, he believes that he understands more now conceptually, and thinks that perhaps a public purpose is a good idea. He added that when WMEP initially came before the City, the HRA/Council endorsed the concept, but said go find a better site. Now, WMEP is back telling the HRA that they cannot find another site and they are asking the HRA to look at the Kunz Oil/Lewis Engineering site again. Commissioner Hovland believes that the HRA should conceptually agree to look at the proposal. He advocated giving staff the direction they need at least on a preliminary basis without pre-judging the final outcome. If a Letter of Intent is the appropriate procedural vehicle to use, then he urged the HRA to do it.

Commissioner Faust stated she finds it hard to believe that the other members could vote on the concept without seeing the plans.

Chair Smith restated the direction would be to have staff draft a Letter of Intent, circulate it among the interested parties and bring it back to the HRA. He added that the residents need to be queried, noting that there will be a public hearing before any development agreement takes place. Chair Smith observed that WMEP was finally holding a community meeting. However, he concluded that the City will exercise due diligence before approving anything other than the concept as outlined by a Letter of Intent. Chair Smith confirmed that WMEP will appear on April 5, 1999, as previously planned. Executive Director Hughes clarified that the Letter of Intent should be drafted, circulated and brought back before the HRA on April 5, 1999.

Commissioner Maetzold made a motion directing staff to draft of Intent outlining the Conceptual Redevelopment of the Kunz Lewis site, and bring it back to the HRA at the regular meeting of April 5, 1999. Commissioner Hovland seconded the motion.

Rollcall:

Ayes: Hovland, Maetzold, Smith

Nay: Faust

Motion carried.

CLAIMS PAID Commissioner Maetzold made a motion to approve payment of the HRA Claims as shown in detail on the Check Register dated March 10, 1999, and consisting of one page totaling \$27,990.60. Commissioner Faust seconded the motion.

Rollcall:

Ayes: Faust, Hovland, Maetzold, Smith

Motion carried.

There being no further business on the HRA Agenda, Chair Smith declared the meeting adjourned at 8:30 p.m.

Executive Director